

Jim Gibbons
Governor



Tara Hagan
Executive Officer

COMMITTEE

Jim Barnes, Chair
RETIRED

Rex Reed, Vice Chair
NDOC

Diane Comeaux
DCFS

Brian L. Davie
LCB

Andrew MacKay
NTA

**Nevada Public Employees' Deferred
Compensation Program**

**DEFERRED COMPENSATION COMMITTEE
MEETING MINUTES FOR**

Thursday, May 20, 2010, 9:00 AM

Cameron Vandenberg
Deputy Attorney General

STAFF and ATTORNEY PRESENT:

Tara Hagan, Executive Officer
Jenny Potts, Secretary
Cameron Vandenberg, Deputy Attorney General

OTHERS PRESENT:

Bill Abramowicz, Hartford
Bishop Bastien, ING
Matt Condos, ING (by phone)
Scott Craigie, Hartford
John Crossley, Retired
Merrill Desrosiers, ING (by phone)
Kent Ervin, UNR
Michael Hackett, Hartford
Tom Heseltine, Clifton Gunderson
Roberta Hughes, Administrative Services Division
David Luo, Mercer (by phone)
Eileen Kwei, Mercer
Steve Platt, ING
Scott Satalino, ING (by phone)
Doug Skelley, Hartford
Daniel Slepak, Mercer (by phone)
Todd Theroux, Hartford (by phone)
Robert Trenerry, Hartford
Tom Verducci, Hartford
Julie Williams, Reno-Sparks Convention and Visitors Authority (RSCVA)

These minutes are a draft subject to approval by the Deferred Compensation Committee at the next regularly scheduled meeting. The agenda for this meeting was posted according to the Nevada Open Meeting Law and was sent to groups and individuals as requested.

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I. COMMITTEE

A. Call to Order/Roll Call

The 2nd quarterly meeting of 2010 of the Deferred Compensation Committee was called to order by Chair Mr. Jim Barnes at 9:02 am, May 20, 2010, in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Vice Chair Mr. Rex Reed, Mr. Andrew MacKay, Mr. Brian Davie, and Ms. Diane Comeaux.

B. Approval of the minutes of the meeting on February 18, 2010*

Motion made by Vice-Chair Reed to approve the minutes for the February 18, 2010 meeting, seconded by Ms. Diane Comeaux. Motion passed unanimously 5-0.
(Exhibit A, Tab I B)

C. Meeting Dates*

Staff noted that the 2011 dates will be included in the near future. (Exhibit A, Tab I C)

D. NAGDCA Conference* (Exhibit A, Tab I D)

Motion made by Mr. Brian Davie to have both Chair Jim Barnes and Vice Chair Rex Reed attend the 2010 NAGDCA conference in Philadelphia. Mr. Andy MacKay will be first backup and Mr. Brian Davie second, seconded by Vice-Chair Reed. Motion passed unanimously 5-0.

Motion made by Vice-Chair Reed to send the Executive Officer to the 2010 NAGDCA Conference, seconded by Mr. Brian Davie. Motion passed unanimously 5-0.

II. PROGRAM REPORT

A. Plan Activity as of 3/31/10

Staff reported the plan activity for March 31, 2010, which included an increase in overall assets of approximately \$106 million (27%) from the same time period in 2009. Staff noted contribution amounts decreased by approximately \$1 million (10%) as of March 31, 2010 as compared to the same time period in 2009. Staff's review of the reduction in contribution amounts indicated a decline in the number of actively contributing participants over the past 12 months and a decrease in contribution amounts consistent with the implementation of the State's furlough policy.

Staff also noted an error was discovered in the December 31, 2009 data regarding the number of active participants. Staff will correct the information in the Mercer report and on the Plan's website. (Exhibit B, Pages 1-8)

Ms. Diane Comeaux questioned the increase in the number of unforeseen emergencies. Staff noted the increase is primarily due to the rise in requests for funds relating to imminent foreclosures.

B. Performance Indicators

Staff provided current information regarding the Plan's performance indicators. Staff noted the gap between the actual participation rate and the fiscal year 2010 goal, and stated that although it's of concern, it's not surprising given the economic climate over the past 12 months.

Staff also noted Hartford did not reach its contractually stated requirement regarding customer service standards for the quarter ending March 31, 2010. Staff verified Hartford was assessed and paid its necessary fine. (Exhibit B, Page 9)

C. Hartford Contract and State Business License Requirement*

Staff provided an update regarding the pending contract amendment with Hartford and the State Business License (SBL) requirement. Staff explained Hartford is claiming exemption from the SBL requirement due to its regulation by the Division of Insurance. Staff noted that an email from Ms. Amy Parks, Chief Counsel, Division of Insurance, explained that Hartford's group retirement business, such as the 457(b) plan, is not regulated under the Division of Insurance and therefore is not exempt from the SBL. Staff also noted receipt of a letter from Insurance Commissioner, Scott Kipper, late in the day on May 19, 2010, which reiterated the information contained in Ms. Parks e-mail correspondence. Staff requested a Hartford representative provide an explanation on the issue.

Hartford representatives noted it will be moving forward with obtaining the SBL. Hartford stated it was awaiting confirmation from its regulatory agency, Division of Insurance, prior to moving forward with the SBL.

Ms. Diane Comeaux questioned whether Hartford received a response from the Secretary of State's office (SOS) regarding its exemption request, due to the fact the application is seemingly still pending and the SOS is the deciding entity.

Hartford indicated that although it has not received a response from the SOS, it is prepared, after the ruling from the Division of Insurance, to move forward with obtaining a SBL.

Mr. Brian Davie noted that he did not understand why Hartford took the initial stance of exemption from the SBL. Mr. Davie stated that insurance is not provided in any deferred compensation investment and participant monies are at risk when investing in the Plan. Mr. Davie also explained that this issue is preventing the Plan from moving forward with a contract amendment which has been pending for over a year. Mr. Davie is pleased Hartford will be pursuing the SBL application and hopes the outstanding contract amendment can be approved by the Board of Examiners (BOE) as soon as possible.

Ms. Cameron Vandenberg stated she is pleased Hartford is moving forward with the SBL. Ms. Vandenberg recommended the Committee require Hartford meet the June 10th BOE deadline for materials to the Budget Office for the July meeting. Ms. Vandenberg further stated that should Hartford not meet the July BOE deadline, the Committee would need to consider more serious consequences.

(Exhibit A, Tab II C)

Motion made by Vice-Chair Reed to require that Hartford obtain the necessary licenses in order to conduct business in Nevada; failure to obtain the licenses by the July Board of Examiners meeting may result in contract termination, seconded by Mr. Brian Davie. Motion passed unanimously 5-0.

III. INVESTMENT REPORT

A. Investment Structure Evaluation presented by Mercer

Staff noted the investment structure evaluation review is meant to be an informational session to assist the Committee in more fully understanding participant behavior and how an optimal number and set of investment options may help bring clarity to participant decision-making.

Mercer representatives presented the Investment Structure Evaluation review.

Mr. Brian Davie noted he agreed with Mercer's recommendation to consider eliminating the growth and value styles within certain asset classes, such as the small and medium size capitalization options. Mr. Davie questioned Mercer's stance regarding the use of active versus passive for certain funds and asset classes. Mercer representatives indicated there is empirical data which may suggest that managed funds in certain asset classes, such as small and international, are more efficient than their passively managed counterparts.

Vice-Chair Reed asked Mercer how they envisioned the State's deferred compensation plan if the system they had just described was implemented and taken to its logical conclusion. Mercer representatives indicated the purpose of the analysis is meant to provide the Committee with a framework in which to evaluate the optimal number of options for the Plan. Mercer also stated it does have suggested areas for the Committee to consider and will work with Staff regarding future recommendations. Mr. Davie noted that Mercer's suggestions will be considered but the Committee makes the ultimate decision.

Ms. Diane Comeaux questioned the notion that Mercer is recommending removing certain options, such as the socially responsible option. Ms. Comeaux indicated she understood Mercer to be suggesting these options are removed from the Committee's management but remain available to participants via the market or self-directed brokerage option. Mercer indicated it is not recommending the removal of the brokerage option which does allow participants to purchase a wide-variety of more esoteric options.

Staff noted it will work with Mercer to draft a specific plan for reducing the number of options, which will include recommended policies, template and timing for discussion at another meeting. (Exhibit A, Tab III, Exhibit B, Pages 10-11, Exhibit E, Pages 2-11)

B. Update regarding ING Stabilizer Fund Changes

Staff presented an update regarding the change from the ING Stabilizer fund to the ING Stable Value option. Staff noted that due to transaction costs and other fees, the ING Stabilizer fund will be liquidated when it reaches a market to book value ratio in the range of 100.5% to 102%. Staff will continue to update the Committee, as appropriate. (Exhibit B, Pages 12-14)

C. SSgA Target Date Funds*

Staff recommended the Committee replace the SSgA Target Date funds with the Vanguard Target Dates funds, which include Income, 2015, 2025, 2035 and 2045. Staff noted Mercer's due diligence review was provided under separate cover. (Exhibit A, Tab III C, Exhibit B, Page 15-17)

Motion made by Mr. Brian Davie to replace the SSgA Target date funds, which include Today, 2015, 2025, 2035, 2045 with the Vanguard Income, 2015, 2025, 2035, 2045 funds, respectively, seconded by Mr. Andy MacKay. Motion passed unanimously 5-0.

D. Investment Offering Review presentation by Mercer and Staff*

Mercer Representatives presented a quarterly performance review of the Deferred Compensation Program investment options for period ending March 31, 2010. (Exhibit D, Pages 9-38)

E. Fund Watch List Approval*

(Exhibit B, Page 18)

▪ AllianceBernstein International Value	Remain on Watch
▪ Hartford General Account	Remain on Watch
▪ ING Stabilizer Fund	Terminate
▪ Lazard U.S. Mid Cap Equity	Remain on Watch
▪ Mutual Global Discovery Fund	Remain on Watch
▪ Oppenheimer Main Street Small Cap	Remain on Watch
▪ Van Kampen Equity & Income	Remain on Watch

Motion made by Mr. Brian Davie to approve the Committee's Fund Watch list, seconded by Ms. Diane Comeaux. Motion passed unanimously 5-0.

IV. ADMINISTRATION

A. Discuss Requested Changes to Newsletter Content and Approval Process*

Chairman Barnes noted that he requested Staff put this item on the agenda. Chairman Barnes stated that the idea was generated out of the thought that the Committee should take advantage of Mr. Andy MacKay's expertise in marketing and advertising. Chairman Barnes recommended the Committee appoint Andy MacKay and himself to put together the newsletter to ensure more Committee involvement.

Mr. Andy MacKay thanked Chairman Barnes and indicated he is pleased to assist the Chair, Committee and Staff in any way regarding input and advice on the newsletter. Mr. MacKay questioned Staff regarding the anticipated reduction in printing and postage, specifically the rationale for this reduction.

Staff stated the reduction in printing and postage is the result of a recent campaign requesting participants sign-up for e-mail distribution of the newsletter. In addition, Staff also indicated it was moving forward with redesigning and reformatting the newsletter, which would enable the Plan to send the newsletter to all active State employees via e-mail. Staff noted this development would significantly reduce the printing and postage costs.

Mr. MacKay stated he is pleased with Staff's direction in terms of electronic distribution as this will be both a cost savings and increase the distribution and audience possibilities.

Mr. Brian Davie stated that he appreciates Mr. MacKay's expertise, however questioned what problem the Committee was attempting to address. Mr. Davie noted the Committee is currently reviewing and providing input for each newsletter prior to its distribution. Mr. Davie stated that he is concerned that increased Committee involvement, similar to the past, will hamper the Plan's efforts to distribute the newsletter in a timely and consistent basis. Mr. Davie commented on the suggestion of the creation of a Sub-Committee for an administrative function, such as the newsletter. Mr. Davie noted this could set a bad precedent and differ from the Committee's use of Sub-committees. Mr. Davie state that currently Sub-Committee's are created for broad policy issues, such as the hiring of the executive officer and request for proposals for the investment consultant and financial auditor, not for administrative issues.

Ms. Diane Comeaux stated she agrees the Plan should continue to distribute the newsletter in a timely and consistent manner and commented that Staff is doing a good job with improving the newsletter. Ms. Comeaux did note, however, that she has received comments that the newsletter is

written at a higher level which assumes participants understand financial terminology. Ms. Comeaux indicated that if Andy and Jim could assist in reviewing the articles for participant readability then this change would be beneficial.

Staff thanked Ms. Comeaux for her comments and noted that the participant survey indicated participants would appreciate articles which were easier to understand and used less financial terminology.

Vice-Chair Rex Reed indicated he did not believe agendizing the newsletter process was necessary but wants to ensure all Committee members still have a chance to review the newsletter prior to distribution.

Mr. MacKay indicated Mr. Davie made a good point that the Committee is a collective body and no one individual member has more authority than another; the Committee is currently being provided an opportunity to review the newsletter prior to distribution. Mr. MacKay noted his input is less substantive in nature and more concerning the technology and distribution of the newsletter. Mr. MacKay noted that the Plan has multiple audiences, including current participants, retirees, non-participants and new hires and that electronic distribution provides an excellent opportunity to tailor the message to increase awareness and ultimately increase participation and contributions.

Mr. Davie stated that although he is not against the notion of a Chairman's article he questioned the need and substance. Mr. Davie also questioned the process of resolution should Committee members disagree with another member's comments. Mr. Davie stated his concern that disagreements could hamper the process of distributing the newsletter on a timely basis and unnecessarily complicate the process.

Chairman Barnes noted the column would provide the Committee's perspective versus Staff's and stated the entire Committee would have input into the column.

Mr. Davie noted that the Staff's perspective should not differ from the Committee's as it is Staff's responsibility to implement Committee policy.

Vice-Chair Reed noted he would prefer the Chairman or Committee column contain the author's byline to differentiate one Member's opinion from the entire Committee.

Vice-Chair Reed noted that a motion was not needed and that Andy MacKay and Jim Barnes would work with Staff to review and finalize the newsletter. Vice-Chair Reed also noted that Staff will continue to provide a draft to the full Committee. (Exhibit A, Tab IV A)

B. Discussion of possible submission for NAGDCA Leadership Recognition Awards*

Mr. Brian Davie noted this agenda item was at his request and he is recommending the Plan submit a nomination for a NAGDCA award. Mr. Davie noted the improvements in the Plan should be recognized at the national level and by Plan participants.

Mr. Davie suggested the Committee consider approving a submission for the Financial Education Day events which are conducted in conjunction with the National Save for Retirement Week. In addition, Mr. Davie stated he would also appreciate the Committee consider a second submission regarding the improvement in the Plan's newsletters. Mr. Davie stated if the Plan does not receive one of the top three highest honors, it will get recognized for the submissions.

Mr. Andy MacKay noted that submitting nominations for the awards is a great idea and thanked Mr. Davie for his great work on the documents.

Vice-Chair Rex Reed suggested the Committee request Mr. Davie proceed with submitting the documents on the Plan's behalf.

Chairman Barnes noted concern regarding the newsletter submission. Chairman Barnes stated that during the financial crisis the newsletters contained some bad information regarding the service providers and questioned whether the Committee should be in the position of highlighting the negative material that came out during that period. Chairman Barnes was also concerned with the erroneous information contained in the 2009 Summer edition which discussed the Nevada Guaranty Association coverage. Chairman Barnes requested the submission be restricted to more recent newsletters as to not highlight anything that would negatively reflect on the providers, Committee or Staff.

Mr. Brian Davie stated the guidelines require submissions from 2009, which would include the newsletters Chairman Barnes noted. Mr. Davie stated he didn't notice content but rather concentrated on format and presentation. Mr. Davie also noted he isn't concerned with the erroneous information as it was corrected in a subsequent newsletter. In addition, he indicated that the negative information was known nationally. Mr. Davie stated he is fine with not submitting the newsletter if there is no appetite by the Committee.

Vice-Chair Rex Reed noted he did not have a preference for submitting or not submitting the newsletters but noted the providers may be uncomfortable with the information contained in the submission and therefore, it may be best to submit the newsletter information at another time.

Mr. Davie indicated he will not submit the newsletter concept at this time.
(Exhibit A, Tab IV B)

C. Financial Audit Report and Presentation by Clifton Gunderson*

Clifton Gunderson Representatives presented a summary of findings and recommendations relating to Plan's financials based on their various audits.

Mr. Brian Davie complimented both providers and Clifton Gunderson on a successful audit.
(Exhibit A, Tab IV C, Exhibit B, Page 19-20)

Motion made by Vice-Chair Reed to approve the Clifton Gunderson Financial Audit reports and statements and direct Staff to begin the process of resolution on the necessary items, seconded by Mr. Brian Davie. Motion carried unanimously 5-0.

D. Current Budget (FY 10 – 11) Discussion*

Staff provided information on the current budget (Exhibit A, Tab IV D).

Ms. Diane Comeaux noted a concern regarding the Plan's reserves and Staff's billing procedure. Ms. Comeaux offered to work with Staff to resolve these issues.

E. Biennium Budget (FY 12 – 13) Discussion (including Performance Indicators)*

Staff recommended approving and submitting a \$0 increase budget. Staff noted the deadline for submitting the budget to the Budget Office is September 1, 2010. (Exhibit A, Tab IV E, Exhibit B, Page 21-22)

Ms. Diane Comeaux recommended Staff continue to work with Administrative Services to build the biennium budget and provide updates to the Committee at the August and November meetings, as appropriate.

F. Bill Draft Requests (BDR) Discussion*

Staff indicated it does not have any issues, clerical or otherwise, which would require a submission of a BDR at the upcoming Legislative session.

Chairman Barnes indicated he had been contacted by Darryl Craig, the Chair of the Washoe County Deferred Compensation Board, regarding a joint BDR for enabling legislation for automatic enrollment. Chairman Barnes also noted the possibility of legislation for auto escalation or increases. Chairman Barnes noted he did not make any commitments to Mr. Craig and will proceed with the will of the Committee.

Mr. Davie indicated Mr. Craig has brought this issue to the Committee in prior years and although the concept is interesting, it also has its challenges. Mr. Davie stated it would be his preference to keep a low-profile and not be in the forefront on issues during this upcoming Legislative session.

G. Compliance Audit Resolution Report*

Staff presented the Compliance Audit Resolution Report based on the Mercer Compliance Review. (Exhibit A, Tab IV G, Exhibit B, Pages 23-25)

Motion made by Mr. Brian Davie to approve Staff's resolution report as submitted or amended, seconded by Ms. Diane Comeaux. Motion carried unanimously 5-0.

H. Record and Retention Policy Discussion*

Staff recommended an amendment to the Record and Retention Policy based on the Mercer Compliance Review and recommendations from the State Records Committee. (Exhibit A, Tab IV H)

Motion made by Vice Chair Vice-Chair Reed to approve the Record and Retention policy as submitted or amended, seconded by Mr. Brian Davie. Motion passed unanimously 5-0.

I. Administrative Manual Review*

Staff recommended amendments to the Administrative Manual Review based on the Mercer Compliance Review. (Exhibit A, Tab IV I)

Motion made by Mr. Brian Davie to approve the Administrative Manual as submitted or amended, seconded by Ms. Diane Comeaux. Motion passed unanimously 5-0.

J. Plan Document Review*

Staff recommended amendments to the Regular Deferred Compensation Plan and the FICA-Alternative Deferred Compensation Plan documents based on the Mercer Compliance Review.

Staff also noted it is continuing to work with legal counsel regarding the Nevada domestic partner law and its effect on the plan documents. Staff will provide recommendations at another meeting. (Exhibit A, Tab IV J)

Motion made by Vice-Chair Reed to approve both the Regular Deferred Compensation Plan document and the FICA-Alternative Deferred Compensation Plan document as submitted or amended, seconded by Mr. Andy MacKay. Motion carried unanimously 5-0.

K. De minimis Settlement Policy Discussion*

Staff recommended the adoption of a formal de minimis settlement policy which will allow the Program to retain settlement funds when affected participants are not eligible for the minimum payment. (Exhibit A, Tab IV K)

Motion made by Mr. Brian Davie to approve the De minimis Settlement policy which allows the Plan to retain any settlement funds in which the settlement amount does not result in any affected participants being eligible for the minimum payment (\$10), seconded by Mr. Andy MacKay. Motion passed unanimously 5-0.

L. Communication Plan Update

Staff provided an update regarding the Plan's 2010 communication efforts. Staff noted the creation of Retirement Education Day, a move toward electronic newsletter distribution and updates to the plan website.

Staff also discussed the use of a simplified enrollment form which was utilized in the State of Delaware and increased plan participation by 15% over two years. Staff will be working with the service providers to adopt a uniform simplified enrollment form. ING representatives noted its use of simplified enrollment forms in other 457(b) plans throughout the country. (Exhibit A, Tab IV L, Exhibit B, Page 26, Exhibit C)

V. RATIFICATION AGENDA*

Motion made by Mr. Brian Davie to approve the Ratification Agenda items as submitted, seconded by Mr. Andy MacKay. Motion passed unanimously 5-0.

VI. REPORT SECTION

Staff noted that the current budget will be available in this section for each meeting.

VII. COMMENTS

A. No comments from the public.

B. Investment Consultant/Service Providers

- Mr. Bill Abramowitz, Hartford.
- Robert Trenerry, Hartford.

C. Deputy Attorney General had nothing to report.

D. Committee Members

Mr. Brian Davie questioned how the pending Financial Reform bill may affect the Plan's new stable value fund wrap contracts and providers. Eileen Kwei, Mercer Consulting, stated the current language would require wrap providers to agree to fiduciary liability. Ms. Kwei indicated both the stable value and wrap providers have been vocal during the recent open-comment period in hope of excluding wrap contracts from this bill. Ms. Kwei noted that if the language does pass in its current form it may result in a reduction in the number of wrap providers and an increase in wrap fees.

Mr. Brian Davie thanked the LCB staff for broadcasting the meetings via the internet and video-conferencing.

Chairman Barnes thanked Tara Hagan and Mr. Andy MacKay for the presentation opportunity at the Cabinet Meeting.

- E. Staff thanked Chairman Barnes and Mr. Andy MacKay for setting up the presentation at the Cabinet meeting.

VIII. ADJOURNMENT

The meeting was adjourned at 1:32 PM.

Respectfully Submitted:

Jenny Potts
Administrative Assistant

Approved by:

Tara Hagan
Executive Officer

LIST OF EXHIBITS

Exhibit A is the packet of informational items prepared by Staff for Committee members for the May 20, 2010 meeting and containing Tabs I through VI.

Exhibit B is the presentation handout from Staff.

Exhibit C is the EZ Enrollment/Participation Agreement sample form.

Exhibit D is the Mercer Report dated First Quarter 2010 and entitled *Performance Evaluation, State of Nevada*.

Exhibit E is the Mercer Report dated May 2010 and entitled *Investment Structure Evaluation*.

Exhibit F is the Mercer Report dated May 2010 and entitled *Vanguard Target Retirement Funds Analysis*.

Exhibit G is the packet of statistical and other information provided by Hartford.

Exhibit H is the packet of statistical and other information provided by ING.